



## DEPARTMENT OF VETERANS AFFAIRS

Regional Office

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Phoenix, AZ 85012-2402

Website: <http://www.vba.va.gov/phoenixlgy.htm>

October 29, 2003

### Loan Guaranty Information Bulletin 26-03-18

#### SUBJECT: **LOAN GUARANTY REQUIREMENTS REGARDING THE CALIFORNIA WILDFIRES**

1. PURPOSE: This is to give notification of VA requirements regarding loans secured by properties in the disaster areas designated by Federal authorities as a result of the California wildfires. The affected counties to date are Los Angeles, San Bernardino, Riverside, San Diego, and Ventura counties. These requirements will remain in force for the duration of the disaster and until the risk to the veteran, lender, holder, and VA has been mitigated.

#### 2. LOAN ORIGINATION ISSUES:

a. Any loan closed prior to the onset of this disaster (October 21, 2003) is eligible for VA guaranty without regard to the disaster. The information in paragraph 3 applies to these cases.

b. For a property appraised on or after the onset of this disaster or loans not yet closed, the following requirements apply:

1) Both of the following certifications must be submitted with the guaranty request:

a) Lender Certification - This is to affirm that the property which is security for VA loan number \_\_\_\_\_ has been inspected to ensure that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better

\_\_\_\_\_  
(lender signature)

\_\_\_\_\_  
(lender title)

\_\_\_\_\_  
(date)

b) Veteran Certification - I have inspected the property located at

\_\_\_\_\_ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan.

\_\_\_\_\_  
(veteran signature)

\_\_\_\_\_  
(date)

2) The "Remarks" section of VA Form 26-0286, VA Loan Summary Sheet must be annotated "Lender and Veteran Disaster Certifications Enclosed." Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.

3) If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, then the lender must have the VA fee appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.

4) The lender should ascertain prior to closing that the veteran's employment and income has not changed since the loan application. If at the time of closing the veteran is no longer employed or family income has been reduced, this information should be reported to VA or the automatic underwriter, as appropriate, for evaluation prior to closing the loan.

c. For loans not falling into one of the above categories, please contact us with loan specifics and we will provide direction.

### 3. LOAN SERVICING AND CLAIMS ISSUES:

a. VA encourages holders of guaranteed loans in the disaster areas to extend every possible forbearance to borrowers in distress through no fault of their own. VA Regulations regarding "Reapplication of Prepayments (38 CFR 36.4310), "Advances" (38 CFR 36.4313), "Extensions and Reamortizations (38 CFR 36.4314) and "Supplemental Loans" (38 CFR 36.4355) may be of assistance in appropriate cases. It is the loan holder's responsibility to inspect damage to properties, counsel borrowers concerning assistance that may be available to them and provide this office with a report that outlines the findings and actions for each damaged property. Loan holders should contact this office before consenting to an insurance adjustment where the proceeds will not be sufficient to pay the loan balance or restore the security.

b. Please include a copy of the attached Information Sheet with any correspondence you send borrowers in the disaster areas. The information it contains should be beneficial to all parties involved.

c. Although the loan holder is ultimately responsible for determining when to initiate foreclosure and for completing termination action, we are requesting that holders establish a 90-day moratorium from October 21, 2003 on initiating new foreclosures in the disaster areas. Since VA is requesting this, the Interest cut-off provisions of 38 CFR 36.4319(f) will not be applied by VA during the moratorium to loans secured by properties in the disaster areas. Also, the period of moratorium will be considered "VA-requested forbearance" for purposes of the no-bid avoidance provisions of 38 CFR 36-4321. There are two exceptions to the 90-day moratorium on new foreclosures:

**1) When a default is clearly insoluble and there is no likelihood of reinstatement and the holder requests and receives VA prior approval to initiate foreclosure during the period of the moratorium, and**

**2) When a foreclosure sale, the product of an insoluble default which occurred prior to the disaster, was already scheduled. The sale should be delayed only to the extent necessary to determine whether the liquidation appraisal remains accurate and for such time as it may take the holder to obtain acceptable hazard insurance loss settlement for purposes of 38 CFR 36.4326.**

d. VA Regulations (38 CFR 36.4326) require that lenders and holders ensure that homes financed with the assistance of VA-guaranteed loans be sufficiently insured against hazards (including flooding, where appropriate). The burden of proof is upon the lender or holder to establish that no increase in VA's ultimate liability is attributable to the failure of the lender or holder to have the property properly insured.

4. QUESTIONS: If there are any Appraisal, Loan Production and/or Loan Administration issues, please contact the Phoenix Regional Loan Center via our toll free number 1-888-869-0194. Should additional counties be added, we will list them on our web site at <http://www.vahomes.org/pn/> Your cooperation is appreciated.

/Signed/

ROBERT JOHNSON  
Loan Guaranty Officer

Attachment

DISTRIBUTION: All lenders, holders, servicers, appraisers and compliance inspectors

## Information Sheet Regarding California Wildfire Disaster Areas

President Bush has declared Los Angeles County, San Bernardino County, San Diego County and Ventura County federal disaster areas due to the California wildfires. The Department of Veterans Affairs provides the following information for homeowners with a VA Guaranteed Loan who may be affected by the disaster.

It is very important that you contact your lender as soon as possible regarding your loss. **You are not excused from making your regular monthly loan payments even if your home is not habitable.** If you are unable to make your monthly loan payment, inquire into possible forbearance or modification options to include extension or re-amortization of your loan. Also ask your lender to explain procedures regarding hazard losses, including repairs to your property, payments to contractors, etc.

Do not make a hasty settlement on insurance. If possible, get at least two estimates from licensed contractors for cost of repairs or rebuilding. Insurance checks for personal property and living expenses should be made payable only to the homeowner. Checks for real property should be made payable to the homeowner and the mortgagee. When the property is damaged but repairable, ask the city building department to make an inspection for structural damage. If a building department inspection is not obtainable, an inspection by a licensed engineer should be obtained.

Contact your VA Regional Loan Center (1-888-869-0194) to inform us of your property loss. Please let us know if you are a disabled veteran with a Specially Adaptive Housing Grant. If you receive any VA benefit checks, and will not be receiving mail at your regular address, contact your VA Regional Office (1-800-827-1000) to provide a change of address.

Assistance is available for homeowners through the Federal Emergency Management Agency (FEMA), the Small Business Administration (SBA) and many other agencies associated with the disaster recovery effort. In order to receive the maximum assistance, you must register with FEMA before the deadline expires. You cannot obtain assistance for uninsured losses or damages to your home from the SBA or any other disaster recovery agency if you have not registered with FEMA. You may find information regarding disaster relief at the website for the Federal Emergency Management Agency (<http://www.fema.gov>) or can apply for assistance by calling 1-800-621-FEMA (3362).